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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [AR](#)
SUBJECT: ARGENTINA TRIP REPORT OF A/S TREASURY DAVID COHEN

Classified By: DCM Tom Kelly for reasons 1.4 (B) and (D).

11. (U) Summary. Treasury Assistant Secretary for Terrorist Financing and Financial Crimes David S. Cohen traveled to Buenos Aires, Argentina, on October 2 to address members of the U.S.-Latin America Private Sector Dialogue (U.S.-LA PSD) and conduct meetings with the Central Bank of the Republic of Argentina (BCRA) and Ministry of Justice and Human Rights (MOJ). In his engagements, A/S Cohen emphasized the administration's commitment to strengthening long-standing relationships in the Western Hemisphere, encouraged continued efforts to reform Argentina's anti-money laundering and combating the financing of terrorism (AML/CFT) regime, and discussed shared concerns about Iran's nuclear ambitions. End summary.

Argentina's AML/CFT reform efforts

12. (C) National AML/CFT Coordinator Alejandro Strega described Argentina's AML/CFT regime and current reform efforts, including strengthening financial sector supervision and improving the handling of financial information. Strega noted that Argentina is not likely to score well on the upcoming mutual evaluation of its AML/CFT regime by the Financial Action Task Force (FATF) and Financial Action Task Force of South America (GAFISUD). Although money laundering and terrorist financing have been criminalized, lack of effective implementation is demonstrated by the fact there have been only two convictions for money laundering and none for terrorist financing. Deficiencies persist, including inefficient information sharing and inadequate financial sector supervision, and legal impediments (money laundering is not an autonomous offense and only transactions exceeding 50,000 pesos constitute an offense). Strega expressed enthusiasm for the BCRA-funded AML/CFT workshops for public sector participants, developed by the Treasury Department, that began this month.

13. (C) Zenon Biagosch, Director and Vice-Superintendent of the BCRA, discussed the BCRA's efforts to enhance banking relationships between the U.S. and Latin America, with specific focus on U.S.-Argentina banking relationships. The BCRA conducted a survey of Argentine banks to understand why their correspondent accounts with U.S. banks were being closed. However, the survey yielded little insight, other than to confirm that correspondent accounts are indeed being closed. Biagosch surmised that U.S. banks overestimate the risk of doing business in the region. A/S Cohen and Biagosch agreed that forums such as the U.S.-LA PSD help to dispel misunderstandings, and that U.S.-LA PSD participants would benefit from a continuing, narrow focus on key topics, such as information sharing and risk.

14. (C) A/S Cohen held separate meetings with three Argentine

banking associations, all of which concurred in characterizing Argentina's financial services sector as relatively small and simple, particularly in the wake of the 2002 economic crisis. The Association of Argentine Banks (ADEBA), whose members include domestic private banks, and the Argentine Association of Banks (ABA), whose members include the foreign private banks, explained that complex financial products are not offered by Argentine banks, and that most large transactions (e.g. mortgages) are conducted in cash outside of the banking sector.

15. (C) The Chamber of Argentine Exchange Houses and Agencies (CADECAC), whose members are licensed by the BCRA and subject to the same regulatory requirements as banks, reiterated that Argentina's economy remains highly informal. CADECAC emphasized concerns about waning ties to the formal financial sector as its members lose U.S. correspondent accounts and are replaced by unregulated intermediaries. A/S Cohen encouraged CADECAC to enhance outreach to U.S. banks to build awareness and trust, and stressed the importance of developing mechanisms to allow more efficient information exchange and better management of cross-border risks.

Iran

16. (C) A/S Cohen underscored the need to take steps to prepare for action in the event that Iran does not respond adequately to international concerns about its nuclear program and support for terrorism. He urged the Government of Argentina (GOA) to exercise its leadership position in South America to encourage other countries to take measures to safeguard their financial systems from abuse by Iran. The MOJ and the BCRA responded positively and articulated strong support for the FATF and United Nations Security Council calls for countermeasures. When pressed about correspondent banking relationships with Iran, the BCRA acknowledged that while unlikely, correspondent accounts with Iranian financial institutions could exist in the informal or non-financial sector.

17. (C) A/S Cohen also met with Special Prosecutor Alberto Nisman, who in late 2006 formally accused the government of Iran of directing the 1994 Argentine-Israeli Mutual Association (AMIA) bombing, and Hizballah for carrying out the bombing. Earlier this year, Nisman formally requested that the governments of Germany and France freeze four bank accounts containing over US \$48 million associated with the AMIA suspects. Nisman said that he has yet to receive a substantive reply from either Germany or France, and A/S Cohen offered, on behalf of the Treasury Department, to engage counterparts in these two countries to follow up on Nisman's requests. Nisman added that he has also requested that a judge order the arrest of former Argentine president Carlos Menem for participation in a cover-up after the AMIA attack.

U.S.-LA PSD

18. (U) The 4th annual U.S.-LA PSD, hosted by the BCRA and ADEBA on October 1 and 2 in Buenos Aires, was attended by over 200 public and private sector representatives from throughout the Western Hemisphere, including Argentina, Brazil, Chile, Ecuador, Mexico, Panama, Paraguay, Peru and the United States. Participants discussed information sharing, AML/CFT standards and best practices, risk, and practical considerations for AML/CFT compliance. In his closing remarks, A/S Cohen emphasized the U.S. commitment to a strong relationship with Latin America, founded on broad cooperation, partnership and consultation, as articulated by President Obama in April at the Summit of the Americas in Trinidad and Tobago.

19. (U) A/S Cohen's remarks also highlighted the continuing challenges countries face in their efforts to build and maintain a comprehensive AML/CFT regime. In particular, he identified four challenges of priority concern: (1)

sanctions, (2) cross-border payments, (3) correspondent relationships and (4) beneficial ownership. A/S Cohen underscored the need for financial transparency in implementing effective sanctions by allowing financial institutions to identify accounts or transactions involving a sanctioned party. Likewise, A/S Cohen explained the essential nature of financial transparency to preventing cross-border payments from being used to conduct illicit activity, including circumventing sanctions. With regards to establishing sound correspondent relationships, A/S Cohen stressed the need for respondent banks to demonstrate that they are effectively implementing an appropriate AML/CFT program. Insofar as beneficial ownership, A/S Cohen noted that financial institutions would benefit from clearer guidance, and he acknowledged that the U.S. and Latin America must work together as our countries wrestle with these and other challenges.

MARTINEZ